

(A) Based on avg. shares outstand, thru. '96, then diluted. Excl. nonrec. gains (losses): '97, 16¢; '02, (10¢); '05, (11¢); '06, 7¢, Excl. loss from disc. ops.: '95, 75¢. Totals may not sure.

due to rounding. Next egs. report due late Aprillearly May. (B) Dividends historically paid early March, June, September, December. •† Div'd reinvestment and stock purchase plan

Company's Financial Strength B Stock's Price Stability 100 Price Growth Persistence 65 Earnings Predictability 75

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11.51 11.95 12.79	13.48 13.86	14.72	15.31	16.24	15.78	16.25	16.95	17.80	18.86	19.83	20.99	21.89	22.65	23.55	Book Va	lue per si	םן	26.
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CAPITAL STRUCTURE as o Total Debt \$871.9 mill. Due		6.7 mill.	1031.1 84.6	1446.5 89.9	1584.8 55.7	2064.2 112.3	2089.6 98.0	2186.3 104.8	2637.9 96.0	2646.0 102.9	2628.2 122.9	2706.9 128.7	2650 115		Revenue Net Prof	is (\$mill) ' it (\$mill)	A	28 1
LT Debt \$612.8 mill. LT I LT interest earned: 6.2x; total	nterest \$40.4		36.1%	39.6%	34.0%	38.0%	38.2%	37.4%	39.0%	39.1%	37.1%	39.1%	37.0%		Income			38.0
5.7x) Pension Assets-9/09 \$550.0		orago.	8.2% 43.1%	6.2%	3.5% 45.7%	5.4%	4.7%	4.8% 39.5%	3.6%	3.9%	4.7% 35.9%	4.8% 33.3%	4.5% 36.0%		Net Prof	t Margin rm Debt R	lotio	4.8 34.0
·	Oblig. \$6		54.8%	56.3%	52.4%	54.3%	57.2%	58.6%	60.4%	60.3%	62.4%	65.0%	62.5%			n Equity F		64.5
Preferred Stock \$28.2 mill. F	'fd. Div'd \$1.	3 mill.	1299.2 1460.3	1400.8 1519.7	1462.5 1606.8	1454.9 1874.9	1443.6 1915.6	1478.1 1969.7	1526.1 2067.9	1625.4 2150.4	1679.5	1687.7 2269.1	1810 2330			pital (\$mi	II)	20
Common Stock 50,302,721	shs		7.9%	7.9%	5.3%	9.1%	8.2%	8.5%	7.6%	7.6%	2208.3 8.5%	8.8%	7.5%		Net Plan Return o	n Total C	ap'i	26 8.0
as of 1/29/10	3110.		11.4%	11.0%	7.0%	13.7%	11.5%	11.7%	10.1%	10.2%	11.4%	11.4%	10.0%	10.5%	Return o	n Shr. Eq	uity	10.5
MARKET CAP: \$1.7 billion (Mid Cap)		11.7% 3.7%	11.2% 3.8%	7.2% NMF	14.0%	11.7% 4.1%	12.0% 4.6%	10.3%	10.4%	11.6% 5.0%	11.6% 5.0%	10.5% 3.5%			n Com Ed I to Com I	• •	11.0
CURRENT POSITION 200 (\$MILL.)	8 2009	12/31/09	69%	67%	112%	56%	65%	62%	69%	66%	57%	57%	65%			s to Net P		61
Cash Assets 6. Other 736.		13.6 852.1				ngs, Inc. Iributor in							ated prod signs/inst					
Current Assets 742. Accts Payable 243.	3 683.5	865.7 271.3	areas (of VA ar	nd MD t	o residen	it'l and o	comm'l u	sers (1,0	64,071	cond. sy	/stems. A	merican	Century	Inv. own	7.7% of	commor	n stoc
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Current Liab. 748.	5 634.6	775.0	H			s. sells a					·····		624-6410		t: www.w	glholding	s.com.	
Fix. Chg. Cov. 4909 ANNUAL RATES Past	% 533% Past Est	535% 'd '07-'09				is of egan							his ye lance		et ar	nd ox	erali	fi
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Dividerods Jook Value 1.5% Jook Value 4.0% Jook Value Jook Jook Value Jook Jook Jook Value Jook Jook Jook Jook Jook Jook Jook Jook	n.30 Sep.31 67.5 325.7 67.5 325.	0 Fiscal Year 2646.0 2700 2650 2700 2700 2650 2700 2700 2700 2700 2700 2700 2700 27	the mear line into the codeclist than For 2010 look singl stem ral g volur seen over retair experiments.) Quy economic codeclist codecli	ningfuthis programmes of the following programmes of the programme	oast control of the c	juarter minin hly 25 bected being estim op line thi contin Still, c gulater increa 12 mo arketing gher r gweath ct sha	y. Stinized %, who we we to lespited utilinate in nths. are realized er pa are number to live	II, decithe ball, decithe ball, decithe ball, decithed ball, decit	rease ottom vas be ss, left nged ter a s ough sed n k reve gment ve me ntime, has l regins cont	our We low to atu- enue has sters the and bal- cract	region tial secontini tives, ergy profit Thes broa Howe stable turm sion. Safet Stabi attractonse Bryan tolan av	nal ecoigns nues addingroup progra abilitie e sha der r ever, e thro oil an This y rar lity. T ctive rvative n J. F	conomof a room of a room on the tional ams way and ares oughod all-bearnk arches divide the cong	y is serecover at rocustor of the send are retain took but-of south of the send yield are retained by the send yield are retained are	startir sta	ng to s the fficien and lp to l ngs hi ed to comi has ancia y end Above ark oupled may d acco Marc I Strengt	show compacy in clean colste gher. lag ng y remail maded realed realed realed with appearants. h 12,	the carried and the carried an
Dividends 1.5%	n.30 Sep.31 67.5 325.7 67.5 325.	0 Fiscal Year 2646.0 2706.9 2650 2700.1 2650 2700.1 2650 2700.1 2650 2700.1 2650 2700.1 2650 2650 2700.1 2650 2650 2650 2650 2700.1 2650 2650 2650 2650 2650 2650 2650 2650	the mear line into the code declithan For 2010 look singl stem ral g volur seen over retail experimence.) Only egige in shift due late early Feb.	ningfuthis I negated this I negated to the to we have the to earn for the e-digital from the I need	onl compast of control of the contro	uarter pritor minin hly 29 poected being estim op lin ine thi contin Still, c gulater increa 2 mo arketin gher r weath to total, c Next ea onts hister st, and N.	y. Stinized y. Stinized y. Non y. we to t	II, dec the b nich veethele have ncha regist r. Thi- depress e wea ity seg activ Mear gment ed ma tterns tet to op: \$386 (E) In mil	crease cottom vas bo ss, left nged cer a s ough sed n k reve mentime, has l rgins cont idend rei les defer 7 million, alilions, adi	our We low nt to atu- enue has eters the neen and bal- cract nvestmer ed char strong strong vestmer ed char str	regional secondarial secondaria se	nal edigns nues addingroup ability e shader reverse three three three three reality. To compare the co	conomof a non the conomof a non the conomof and ares narked ares hear narked all-bear narked all-bear narked are incomof all-bear narked are incomof all-bear narked are incomof all-bear narked are incomof and are incomof and are incomof and are incomof are i	y is spectated with the control of t	startirery. As ad, el ad, el and, el earnirer anke the price le fin fficialle its gh mes, coield, in enter the price stabilit nessiste estabilit nessiste persist	ng to s the fficien and lp to l ngs hi d to comi has ancia y end Above ark oupled may d acco Marca (Strengt y ence	show compacy in clean colste gher. lag ng y remail maded realed realed realed with appearants. h 12,	th tear it the tear in early i

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Indicated Common Equity Cost Rate Through Use of a Risk Premium Model Using an Adjusted Total Market Approach

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Ten AUS Utility Reports Natural Gas Distribution
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.60 %	5.60 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public		
	Utility Bonds	0.52 (2)	0.52 (2)
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	6.12 %	6.12 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	0.00 (3)	0.14 (3)
5.	Adjusted Prospective Bond Yield	6.12	6.26
6.	Equity Risk Premium (5)	4.63	4.21
7.	Risk Premium Derived Common Equity Cost Rate	<u>10.75</u> %	10.47_%

Notes:

- (1) Derived in Note (3) on page 6 of this Schedule.
- (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.52% from page 4 of this Schedule.
- (3) No adjustment necessary as the average Moody's bond rating of the Proxy Group of Six AUS Utility Reports Water Companies is A2 as shown on page 2 of this Schedule.
- (4) Adjustment to reflect the A3 Moody's Bond Rating of the Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies as shown on page 2 of this Schedule. The 14 basis point adjustment is derived by taking 1/3 of the spread between Baa and A2 Public Utility Bonds (1/3 * 0.41% = 0.137%, rounded to 0.14%).
- (5) From page 5 of this Schedule.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Six AUS Utility Reports Water Companies
and Proxy Group of Ten AUS

		ərical ing (1)		000000		000000000000000000000000000000000000000
		Numerical Weighting (1)		0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		4 4 4 8 8 8 8 8 8 8 9 8 9 8 9 9 9 9 9 9
		Financial Risk Profile (2)		Intermediate Intermediate Intermediate Intermediate Intermediate Intermediate Intermediate		Significant Significant NR Intermediate NR Intermediate Significant Aggressive Intermediate Significant
		Numerical Weighting (1)		0000000		0 0 X 0 X 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
Standard & Poor's		Business Risk Profile (2)		Excellent Excellent Excellent Excellent Excellent Excellent		Excellent Excellent NR Excellent NR Excellent Excellent Excellent Excellent Excellent Excellent Excellent Excellent Excellent
		Numerical Weighting (1)		6.0 5.0 7.0 7.0 6.0		0.8 N 0.8 N 0.0 0 0.4 0.0 0 0.0 0.0 0.0 0.0 0.0 0.0
201400	March 2010	Credit Rating		4 + + 4 4 4 4		A- BBB+ NR NR NR NR BBB+ BBB+ BBB- A- A-
200	Mar	Numerical Weighting (1)		6.0 4.0 4.0 6.0 6.0 7.0 7.0		7.0 8.0 8.0 6.0 6.0 6.0 6.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8.0 8
		Bond Rating		A A A - A - A A - A - A A - A - A A - A - A A -		A A A A A A A A A A A A A A A A A A A
Moody's	March 2010	Numerical Weighting (1)		6.0		7.0 9.0 6.0 4.0 5.0 7.0 6.0 10.0 6.0 6.0
		Bond Rating	İ	(5) A2 (5) NR (5) NR NR NR NR NR NR A2	.	(6) A3 Baa2 NR (7) A2 A3 A1 A3 (8) A2 A3 (9) A2 A3 (9) A2 A3 A3 (9) A2 A3
			Proxy Group of Six AUS Utility Reports Water Companies	American States Water Company Aqua America, Inc. California Water Services, Inc Connectiout Water Service, Inc Middlesex Water Co York Water Company (The)	Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies	Agi Resources inc Atmos Energy Corporation Delta Natural Gas Company, inc. Laclede Group, inc. (The) New Jersey Resources Corp. Northwest Natural Gas Company Piedmont Natural Gas Company South Jersey Industries Southwest Gas Corp Wgl Holdings, inc.

£ 8 Notes:

From page 3 of this schedule.

From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, February 3, 2010 and U.S. Natural Gas Distribution and Integrated Gas Companies. Strongest to Weakest February 3. 2010.

Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, hc.

Ratings, business risk and financial risk profiles are those of California Water Company.

Ratings, business risk and financial risk profiles are those of The Connecticut Water Company.

Ratings, business risk and financial risk profiles are those of Atlanta Gas Light Company.

Ratings, business risk and financial risk profiles are those of South Jersey Gas Company.

Ratings, business risk and financial risk profiles are those of South Jersey Gas Company.

Ratings, business risk and financial risk profiles are those of South Jersey Gas Company.

Source Information:

Moody's Investors Service Standard & Poor's Global Utilities Rating Service

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Numerical Assignment for Moody's and Standard & Poor's Bond Ratings, Standard & Poor's Credit Ratings, and Standard & Poor's Business and Financial Risk Profiles

Moody's Bond Rating	Numerical Bond Weighting	Standard & Poor's Bond / Credit Rating
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

Standard & Poor's

Business Risk Profile	Numerical <u>Weighting</u>	Financial <u>Risk Profile</u>	Numerical <u>Weighting</u>
Excellent	1	Minimal	1
Strong	2	Modest	2
Satisfactory	3	Intermediate	3
Fair	4	Significant	4
Weak	5	Aggressive	5
Vulnerable	6	Highly Leveraged	6

Moody's Comparison of Interest Rate Trends for the Three Months Ending March 2009 (1)

: Utility Bonds		Baa over A					0.41 %
Spread - Public Utility Bonds		A over Aa					0.29 %
tility Bonds	Baa (Pub.	(Corp.)					0.93 %
orporate v. Public U	Aa (Pub. Util.) A (Pub. Util.) Baa (Pub	(Corp.)					0.52 %
Spread - Co	Aa (Pub. Util.)	(Corp.)	-				0.23 %
		Baa Rated		6.25 %	6.16	6.26	6.22 %
	Public I Hility Roads	A Rated		2.87 %	5.77	5.79	5.81 %
		Aa Rated		5.62 %	5.50	5.44	5.52 %
	Corporate	Aaa Rated		5.35 %	5.26	5.26	2.29 %
		Months		February-10	January-10	December-09	Average of Last 3 Months
				-	7	က	€"

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, March 2010, Vol. 77, No. 3.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Judgment of Equity Risk Premium for the Proxy Group of Six AUS Utility Reports Water Companies and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Ten AUS Utility Reports Natural Gas Distribution
1.	Calculated equity risk premium based on the total market using the beta approach (1)	5.11	4.26
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	4.15	4.15
3.	Average equity risk premium	4.63 %	4.21 %

Notes: (1) From page 6 of this Schedule. (2) From page 8 of this Schedule.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Derivation of Equity Risk Premium Based on the Total Market Approach Using the Beta for

the Proxy Group of Six AUS Utility Reports Water Companies and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies
1.	Arithmetic mean total return rate on the Standard & Poor's 500 Composite Index - 1926-2009 (1)	11.80 %	11.80 %
2.	Arithmetic mean yield on Aaa and Aa Corporate Bonds 1926-2009 (2)	(6.10)	(6.10)
3.	Historical Equity Risk Premium	5.70 %	5.70 %
4.	Forecasted 3-5 year Total Annual Market Return (3)	12.99 %	12.99 %
5.	Prospective Yield an Aaa Rated Corporate Bonds (4)	(5.60)	(5.60)
6.	Forecasted Equity Risk Premium	<u>7.39</u> %	<u>7.39</u> %
7.	Conclusion of Equity Risk Premium (5)	6.55 %	6.55 %
8.	Adjusted Value Line Beta (6)	0.78	0.65
9.	Beta Adjusted Equity Risk Premium	<u>5.11</u> %	4.26_%

Notes: (1) From 2010 lbbotson Risk Premia Over Time Report - Estimates for 1926-2009.

- (2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.
- (3) From page 3 of Schedule 3.17.
- (4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated April 1, 2009 (see page 7 of this Schedule). The estimates are detailed below.

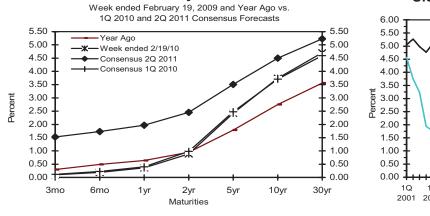
First Quarter 2010	5.30 %
Second Quarter 2010	5.40
Third Quarter 2010	5.50
Fourth Quarter 2010	5.70
First Quarter 2011	5.80
Second Quarter 2011	5.90
Average	5.60 %

- (5) The average of the historical equity risk premium of 5.7% from Line No. 3 and the forecasted equity risk premium of 7.39% from Line No. 6 ((5.7% + 7.39%) / 2 = 6.55%.
- (6) From page 9 of this Schedule.

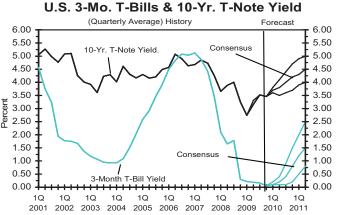
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

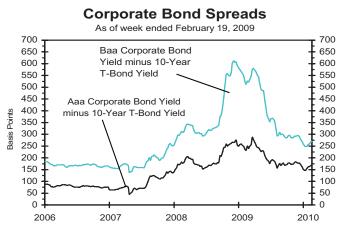
	History								Cons	ensus l	Forecas	sts-Qua	arterly	Avg.
	Average For Week EndAverage For Month Latest Q					1Q	2Q	3Q	4Q	1Q	$2\mathbf{Q}$			
Interest Rates	Feb.19	Feb.12	Feb.5	Jan.29	Jan.	Dec.	Nov,	4Q 2009	2010	2010	2010	2010	2011	<u>2011</u>
Federal Funds Rate	0.12	0.13	0.13	0.12	0.11	0.12	0.12	0.12	0.1	0.2	0.3	0.7	1.1	1.5
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.2	3.3	3.4	3.7	4.1	4.5
LIBOR, 3-mo.	0.25	0.25	0.25	0.25	0.25	0.25	0.27	0.27	0.3	0.4	0.6	0.9	1.4	1.7
Commercial Paper, 1-mo.	0.14	0.12	0.11	0.12	0.13	0.14	0.13	0.13	0.2	0.3	0.4	0.8	1.2	1.6
Treasury bill, 3-mo.	0.10	0.11	0.10	0.07	0.06	0.05	0.05	0.06	0.1	0.2	0.4	0.8	1.2	1.5
Treasury bill, 6-mo.	0.19	0.18	0.17	0.15	0.15	0.17	0.15	0.16	0.2	0.3	0.6	0.9	1.4	1.7
Treasury bill, 1 yr.	0.36	0.35	0.33	0.31	0.35	0.37	0.31	0.35	0.4	0.6	0.8	1.2	1.6	2.0
Treasury note, 2 yr.	0.89	0.86	0.83	0.86	0.93	0.87	0.80	0.87	1.0	1.2	1.5	1.8	2.2	2.5
Treasury note, 5 yr.	2.42	2.34	2.33	2.39	2.48	2.34	2.23	2.30	2.5	2.6	2.8	3.1	3.3	3.5
Treasury note, 10 yr.	3.74	3.69	3.66	3.66	3.73	3.59	3.40	3.46	3.7	3.8	4.0	4.2	4.3	4.5
Treasury note, 30 yr.	4.70	4.62	4.55	4.55	4.60	4.49	4.31	4.33	4.6	4.7	4.8	5.0	5.1	5.2
Corporate Aaa bond	5.44	5.36	5.29	5.28	5.26	5.26	5.19	5.20	5.3	5.4	5.5	5.7	5.8	5.9
Corporate Baa bond	6.45	6.36	6.25	6.23	6.25	6.37	6.32	6.33	6.4	6.5	6.6	6.8	6.8	7.0
State & Local bonds	4.38	4.34	4.36	4.39	4.33	4.21	4.37	4.26	4.5	4.6	4.7	4.8	4.9	5.0
Home mortgage rate	4.93	4.97	5.01	4.98	5.03	4.93	4.88	4.92	5.1	5.2	5.4	5.7	5.8	6.0
				Histor	y				Co	onsensu	ıs Fore	casts-(Quarte	rly
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Key Assumptions	2008	2008	2008	2008	2009	2009	2009	2009	2010	2010	2010	2010	2011	2011
Major Currency Index	72.0	70.9	73.5	81.3	82.7	79.4	75.4	73.6	75.4	75.6	75.9	76.1	76.3	76.6
Real GDP	-0.7	1.5	-2.7	-5.4	-6.4	-0.7	2.2	5.9	3.0	3.0	2.9	3.0	3.0	3.1
GDP Price Index	1.9	1.8	4.0	0.1	1.9	0.0	0.4	0.4	1.5	1.3	1.5	1.5	1.8	1.7
Consumer Price Index	4.5	4.5	6.2	-8.3	-2.4	1.3	3.6	3.4	2.0	1.6	1.9	1.9	2.1	2.0

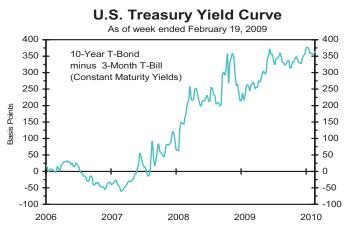
Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed' Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).



U.S. Treasury Yield Curve







Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Derivation of Mean Equity Risk Premium Based on a Study Using Holding Period Returns of Public Utilities

Line No.	_		Over A Rated Public Utility Bonds AUS Consultants - Utility Services Study (1)
	Arithmetic Mean Holding Period Returns (2):	1928-2008	
		Standard & Poor's Public Utility Index	10.74 %
2.		Arithmetic Mean Yield on: Moody's A Rated Public Utility Bonds	(6.59)
3.		Equity Risk Premium	<u>4.15</u> %
Notes:	(1)	S&P Public Utility Index and Moody's 1928-2008, (AUS Consultants - Utility	Public Utility Bond Average Annual Yields / Services, 2009).
	(2)		based upon income received (dividends and ne market value of a security over a one-year

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Value Line Adjusted Betas for the Proxy Group of Six AUS Utility Reports Water Companies

the Proxy Group of Six AUS Utility Reports Water Companies and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

	Value Line Adjusted Beta
Proxy Group of Six AUS Utility Reports Water Companies American States Water Co. Aqua America, Inc. California Water Service Group Connecticut Water Service, Inc. Middlesex Water Company York Water Company Average	0.80 0.65 0.75 0.80 0.80 0.65
Median	0.78
Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies AGL Resources Inc. Atmos Energy Corporation Delta Natural Gas Company Laclede Group, Inc. New Jersey Resources Corp. Northwest Natural Gas Co. Piedmont Natural Gas Co., Inc. South Jersey Industries, Inc. Southwest Gas Corporation WGL Holdings, Inc. Average	0.75 0.65 0.65 0.60 0.65 0.60 0.65 0.60 0.75 0.65
Median	0.65

Source of Information: Value Line Investment Survey, Standard Edition

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Indicated Common Equity Cost Rate Through Use of the Capital Asset Pricing Model the Proxy Group of Six AUS Utility Reports Water Companies and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

Line No.		Proxy Group of Six AUS Utility Reports Water Companies	Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies
1.	Traditional Capital Asset Pricing Model (1)	10.60 %	9.68
2.	Empirical Capital Asset Pricing Model (1)	<u>11.01</u> %	10.32
3.	Conclusion	10.81 %	10.00

Notes: (1) From page 2 of this Schedule.

Apple Canvon Utility Company / Lake Wildwood Utilities Corp. Indicated Common Equity Cost Rate Through Use of the Capital Asset Pricing Model

	<u>1</u>	<u>2</u>	<u>3</u>
	_	-	-
		Company-Specific	CAPM Result
	Value Line	Risk Premium	Including
	Adjusted	Based on Market	Risk-Free
	Beta	Premium of 7.35% (1)	Rate of 4.90% (2)
		Fraditional Capital Asset Pricing Model (3)	
	<u> 1</u>		
Proxy Group of Six AUS Utility Reports			
Water Companies			
American States Water Co.	0.80	5.88 %	10.78 %
Aqua America, Inc.	0.65	4.78	9.68
California Water Service Group	0.75	5.51	10.41
Connecticut Water Service, Inc.	0.80	5.88	10.78
Middlesex Water Company	0.80	5.88	10.78
York Water Company	0.65	4.78	9.68
Average	0.74	E 45 9/	10.25.0/
Average	0.74	<u>5.45</u> %	<u>10.35</u> %
Median	0.78	5.70 %	10.60 %
Proxy Group of Ten AUS Utility Reports			
Natural Gas Distribution Companies	0.75	E E4 0/	10 41 0/
AGL Resources Inc.	0.75	5.51 %	10.41 %
Atmos Energy Corporation	0.65	4.78	9.68
Delta Natural Gas Company	0.65	4.78	9.68
Laclede Group, Inc.	0.60	4.41	9.31
New Jersey Resources Corp.	0.65	4.78	9.68
Northwest Natural Gas Co.	0.60	4.41	9.31
Piedmont Natural Gas Co., Inc.	0.65	4.78	9.68
South Jersey Industries, Inc.	0.60	4.41	9.31
Southwest Gas Corporation	0.75	5.51	10.41
WGL Holdings, Inc.	0.65	4.78	9.68
Average	0.66	4.82 %	9.72 %
Median	0.65	4.78 %	9.68 %
]	Empirical Capital Asset Pricing Model (4)	
Proxy Group of Six AUS Utility Reports Water Companies			
American States Water Co.	0.80	6.25 %	11.15 %
Aqua America, Inc.	0.65	5.42	10.32
California Water Service Group	0.75	5.97	10.87
Connecticut Water Service, Inc.	0.80	6.25	11.15
Middlesex Water Company	0.80	6.25	11.15
York Water Company	0.65	5.42	10.32
Average	0.74	5.93 %	10.83 %
Median	0.78	6.11 %	11.01 %
Median	0.76	0.11 /6	11.01 /6
Proxy Group of Ten AUS Utility Reports			
Natural Gas Distribution Companies			
AGL Resources Inc.	0.75	5.97 %	10.87 %
Atmos Energy Corporation	0.65	5.42	10.32
Delta Natural Gas Company	0.65	5.42	10.32
Laclede Group, Inc.	0.60	5.15	10.05
New Jersey Resources Corp.	0.65	5.42	10.32
Northwest Natural Gas Co.	0.60	5.15	10.05
Piedmont Natural Gas Co., Inc.	0.65	5.42	10.32
South Jersey Industries, Inc.	0.60	5.15	10.05
Southwest Gas Corporation	0.75	5.97	10.87
WGL Holdings, Inc.	0.65	5.42	10.32
Average	0.66	5.45 %	10.3 <u>5</u> %
Median	0.65	5.42 %	10.32 %

See page 3 for notes.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.

Development of the Market-Required Rate of Return on Common Equity Using the Capital Asset Pricing Model for
the Proxy Group of Six AUS Utility Reports Water Companies
and the Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

For reasons explained in Ms. Ahern's accompanying direct testimony, from the three previous month-end (December 2009 – February 2010), as well as a recently available (March 26, 2010), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 12.99% can be derived by averaging the 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line (1)average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 52% produces a four-year average annual return of 11.04% ($(1.52^{.25})$ - 1). When the average annual forecasted dividend yield of 1.95% is added, a total average market return of 12.99% (1.95% + 11.04%) is derived.

The 3-month and spot forecasted total market return of 12.99% minus the forecasted risk-free rate of 4.90% (developed in Note 2) is 8.09% (12.99% - 4.90%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 6.60% for the period 1926-2009 results from a total market return of 11.80% less the average income return on long-term U.S. Government Securities of 5.20% (11.80% - 5.20% = 6.60%). This is then averaged with the 8.09% Value Line market premium resulting in a 7.35% market premium. The 7.35% market premium is then multiplied by the beta in column 1 of page 2 of this Schedule.

(2)The average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the <u>Blue Chip Financial Forecasts</u> dated March 1, 2010 (see page 7 of Schedule 11). The estimates are detailed below:

	30-Year
	Treasury Note Yield
First Quarter 2010	4.60
Second Quarter 2010	4.70
Third Quarter 2010	4.80
Fourth Quarter 2010	5.00
First Quarter 2011	5.10
Second Quarter 2011	<u>5.20</u>
Average	<u>4.90%</u>

The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula: (3)

$$R_S = R_F + \beta (R_M - R_F)$$

Where $R_S = Return rate of common stock$

R_F = Risk Free Rate

β = Value Line Adjusted Beta

 R_M = Return on the market as a whole

(4) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where $R_S = Return rate of common stock$

 $R_F = Risk-Free Rate$

 β = Value Line Adjusted Beta R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, March 1, 2010
Value Line Investment Survey, January 22, 2010 and March 12, 2010 Standard Edition
and Small and Mid-Cap Edition

Ibbotson® - SBBI 2010 Risk Premia over Time Report, Estimates for 1926 - 2009.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Comparable Earnings Analysis for a Proxy Group of Eighty-Two Non-Utility Companies Comparable to the Proxy Group of Six AUS Utility Reports Water Companies(1)

Rate of Return on Book Common Equity, Net Worth, or Partner's Capital 5-Year Projected (2)

			Residual		3-Teal FTOJecteu (2)		
			Standard				
	VL	Unadjust	Error	Standard			
	Adjusted	ed	of the	Deviation of	5 Year	Student's T	
Company Name	Beta	Beta	Regression	Beta	Projection	Statistic	
Gallagher (Arthur J.)	0.70	0.54	3.0716	0.0668	20.00	0.6	
Aon Corp.	0.70	0.47	3.1403	0.0683	14.00	(0.2)	
Beckman Coulter	0.75	0.61	3.1918	0.0694	13.00	(0.4)	
BMC Software	0.85	0.73	3.1543	0.0686	19.50	0.5	
Bristol-Myers Squibb	0.75	0.59	3.0886	0.0672	20.00	0.6	
Buckeye Partners L.P.	0.85	0.75	3.1061	0.0675	14.50	(0.2)	
Brown & Brown ConAgra Foods	0.70 0.65	0.48 0.42	3.1456 2.8885	0.0684 0.0628	12.50 15.50	(0.5)	
Capitol Fed. Finl	0.65	0.42	3.0220	0.0657	7.00	(1.2)	
CVS Caremark Corp.	0.80	0.66	3.1452	0.0684	10.50	(0.7)	
Quest Diagnostics	0.65	0.46	2.9463	0.0641	15.50	(0.0)	
Del Monte Foods	0.70	0.51	3.4000	0.0739	11.50	(0.6)	
Dionex Corp.	0.90	0.78	3.5519	0.0772	17.00	0.2	
DaVita Inc.	0.65	0.41	3.0854	0.0671	16.00	0.1	
Enterprise Products	0.85	0.76	3.1170	0.0678	18.50	0.4	
Energy Transfer First Niagara Finl Group	0.80 0.85	0.69 0.70	3.0862 3.6141	0.0671 0.0786	28.50 9.00	1.8 (0.9)	
Forest Labs.	0.80	0.63	3.5470	0.0771	9.50	(0.9)	
Gilead Sciences	0.65	0.43	3.5879	0.0780	33.50 (8)	2.5	
G&K Services `A	0.80	0.64	3.5505	0.0772	8.00	(1.1)	
Global Payments	0.85	0.70	3.6330	0.0790	16.50	0.1	
Gen-Probe	0.85	0.73	3.7116	0.0807	13.00	(0.4)	
Haemonetics Corp.	0.60	0.39	3.1976	0.0695	12.50	(0.5)	
Hasbro, Inc.	0.75	0.60	3.2682	0.0711	22.00	0.9	
Hudson City Bancorp	0.80	0.69	2.9839	0.0649	10.00	(0.8)	
HCC Insurance Hidgs.	0.85	0.70	3.0771	0.0669	12.00	(0.5)	
Hewitt Associates A Hospira Inc.	0.75 0.70	0.57 0.53	3.3858 3.6182	0.0736 0.0787	18.00 20.50	0.3 0.7	
Interactive Data	0.70	0.70	3.1973	0.0695	14.50	(0.2)	
IDEXX Labs.	0.85	0.75	3.3726	0.0733	24.00	1.2	
Investors Bancorp Inc	0.70	0.52	3.4367	0.0755	6.00	(1.4)	
Intl Speedway A	0.85	0.77	3.5449	0.0771	8.00	(1.1)	
J&J Snack Foods	0.70	0.50	3.4948	0.0760	12.50	(0.5)	
Henry (Jack) & Assoc.	0.80	0.69	2.9121	0.0633	16.00	0.1	
Kroger Co.	0.60	0.37	2.9423	0.0640	23.00	1.0	
Lancaster Colony	0.75	0.57	3.2490	0.0707	17.50	0.3	
Life Technologies	0.80	0.65	3.6691 3.3023	0.0798	11.00	(0.7)	
Lincare Holdings Matthews Intl	0.65 0.80	0.47 0.68	3.2033	0.0718 0.0697	19.50 16.00	0.5 0.1	
McKesson Corp.	0.80	0.63	3.3044	0.0719	13.50	(0.3)	
Mercury General	0.70	0.54	2.9352	0.0638	10.00	(0.8)	
Medtronic, Inc.	0.75	0.61	3.4419	0.0749	20.00	0.6	
Medco Health Solutions	0.70	0.48	3.5559	0.0773	15.00	(0.1)	
Markel Corp.	0.85	0.77	3.4564	0.0752	7.00	(1.2)	
Marsh & McLennan	0.75	0.58	3.1110	0.0677	14.50	(0.2)	
MAXIMUS Inc.	0.80	0.64	3.3308	0.0724	14.50	(0.2)	
Microsoft Corp.	0.80	0.66	3.0200	0.0657	31.50 (8)	2.2	
NIKE, Inc. B	0.85	0.74	2.9431	0.0640	17.00	0.2	
Northwest Bancshares New York Community	0.80 0.80	0.65 0.67	3.4087 3.6679	0.0741 0.0798	11.00 11.50	(0.7)	
Owens & Minor	0.70	0.50	3.4975	0.0761	13.50	(0.3)	
OReilly Automotive	0.85	0.70	3.6272	0.0789	11.00	(0.7)	
Plains All Amer. Pipe.	0.85	0.76	3.6234	0.0788	10.00	(0.8)	
Peoples United Finl	0.65	0.39	3.2206	0.0700	6.00	(1.4)	
PerkinElmer Inc.	0.85	0.77	3.6680	0.0798	10.50	(0.7)	
Ruddick Corp.	0.60	0.34	3.5639	0.0775	11.00	(0.7)	
RLI Corp.	0.80	0.64	3.0058	0.0654	11.00	(0.7)	
Rollins, Inc. Sherwin-Williams	0.80 0.70	0.64 0.51	3.2240 3.3972	0.0701 0.0739	29.50 27.50	2.0 1.7	
Smucker (J.M.)	0.70	0.49	2.9894	0.0650	10.50	(0.7)	
Sara Lee Corp.	0.85	0.70	2.9751	0.0647	20.00	0.6	
Silgan Holdings	0.80	0.62	3.0779	0.0669	19.00	0.5	
Synopsys, Inc.	0.85	0.72	3.0577	0.0665	12.50	(0.5)	
Suburban Propane	0.75	0.59	3.2859	0.0715	37.00 (8)	3.0	
Stericycle Inc.	0.70	0.48	3.2811	0.0714	15.00	(0.1)	
Safeway Inc.	0.70	0.49	3.0748	0.0669	14.00	(0.2)	
Stryker Corp.	0.80	0.66	3.3911	0.0737	16.00	0.1	
Techne Corp.	0.75	0.55	2.9612	0.0644 0.0680	20.00	0.6	
Teleflex Inc. Hanover Insurance	0.80 0.85	0.65 0.74	3.1254 3.0304	0.0680	11.50 9.50	(0.6)	
TJX Companies	0.80	0.74	3.0689	0.0667	42.00	3.7	
Texas Instruments	0.85	0.77	3.4289	0.0746	15.50	(0.0)	
Universal Health Sv. `B	0.80	0.69	3.6798	0.0800	11.50	(0.6)	
Walgreen Co.	0.75	0.57	3.0892	0.0672	14.00	(0.2)	
WD-40 Co.	0.75	0.55	3.5047	0.0762	17.50	0.3	
Weis Markets	0.65	0.42	3.0805	0.0670	9.00	(0.9)	
W.P. Carey & Co. LLC	0.90	0.78	3.5780	0.0778	15.00	(0.1)	
Watson Pharmac. Washington Post	0.75	0.57	3.1868	0.0693	11.50	(0.6)	
Washington Post Berkley (W.R.)	0.80 0.70	0.64 0.53	3.5452 3.3318	0.0771 0.0725	7.00 17.00	(1.2) 0.2	
World Wrestling Ent.	0.70	0.53	3.4256	0.0725	31.50 (8)	2.2	
Alleghany Corp.	0.80	0.69	3.2827	0.0714	6.50	(1.3)	
-0 - 7 zzibi	0.00		3.202.		0.00	(1.5)	
Average	0.77	0.61	3.2816	0.0714			
Average for the Proxy Group of Six AUS Utility Reports Water Companies	0.73	0.56	3.3238 (3)	0.0723			
	0.73	0.00	3.0200 (5	5.0720			
Median (4)					14.50%		

See Page 2 for notes.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.
Comparable Earnings Analysis
for a Proxy Group of Twenty-Six Non-Utility Companies Comparable to the
Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies(1)

Rate of Return on Book Common Equity, Net Worth, or Partner's

Capital

					5-Year Projected (2)	
			B		5- Teal P10	ected (2)
			Residual			
			Standard			
	VL	Unadjust	Error	Standard		
	Adjusted	ed	of the	Deviation of	5 Year	Student's T
Company Name	Beta	Beta	Regression	Beta	Projection	Statistic
AmerisourceBergen	0.70	0.52	2.6681	0.0580	15.00 %	(0.6)
Automatic Data Proc.	0.70	0.54	2.1526	0.0468	16.00	(0.6)
Baxter Intl Inc.	0.60	0.37	2.5631	0.0557	26.50	0.2
Bard (C.R.)	0.60	0.32	2.5422	0.0553	20.00	(0.3)
Becton, Dickinson	0.60	0.38	2.5876	0.0563	20.50	(0.3)
Church & Dwight	0.60	0.33	2.4570	0.0534	16.00	(0.6)
Colgate-Palmolive	0.55	0.30	2.3334	0.0507	36.00	0.9
Clorox Co.	0.65	0.40	2.3216	0.0505 (3)	79.00	3.9
Campbell Soup	0.60	0.33	2.4305	0.0529	35.00	0.8
Erie Indemnity Co.	0.70	0.52	2.2347	0.0486	20.00	(0.3)
Hormel Foods	0.65	0.40	2.6490	0.0576	16.00	(0.6)
Schein (Henry)	0.75	0.59	2.7289	0.0593	15.00	(0.6)
Hershey Co.	0.65	0.46	2.7670	0.0602	42.50	1.3
Intl Flavors & Frag.	0.75	0.59	2.4033	0.0523	21.00	(0.2)
Kraft Foods	0.65	0.46	2.5589	0.0556	10.50	(1.0)
Kinder Morgan Energy	0.75	0.59	2.5093	0.0546	24.50	0.0
Coca-Cola	0.60	0.34	2.2123	0.0481	23.00	(0.1)
Laboratory Corp.	0.65	0.40	2.6524	0.0577	19.00	(0.4)
McDonalds Corp.	0.65	0.46	2.4760	0.0538	30.50	0.5
McCormick & Co.	0.55	0.29	2.5864	0.0562	18.00	(0.4)
PepsiCo, Inc.	0.60	0.37	2.2671	0.0493	27.50	0.3
Pfizer, Inc.	0.75	0.58	2.7581	0.0600	14.50	(0.7)
Raytheon Co.	0.70	0.54	2.6520	0.0577	17.50	(0.5)
Sysco Corp.	0.70	0.54	2.6278	0.0571	34.00	0.7
Tootsie Roll Ind.	0.70	0.51	2.5538	0.0555	8.00	(1.1)
Wal-Mart Stores	0.60	0.36	2.3465	0.0510	17.50	(0.5)
Average	0.65	0.44	2.5015	0.0544		
Notage	0.00	0.11	2.5010	0.0011		
Average for the Proxy Group of Ten AUS Utility Reports						
Natural Gas Distribution Companies	0.66	0.43	2.4716 (3	0.0538		
Median (4)					20.00%	

See Page 2 for notes.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp. Comparable Earnings Analysis

Notes:

- (1) The criteria for selection of the proxy group of eighty two non-utility companies was that the non-utility companies be domestic and have a meaningful projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital 2012 2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of eighty two non-utility companies was selected based upon the proxy group of six AUS Utility Reports water companies' unadjusted beta range of 0.34 0.78 and standard error of the regression range of 2.8858 3.7618. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.
- (2) 2012 2014.
- (3) The Student's T-statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
- (4) The standard deviation of the group of six AUS Utility Reports water companies' standard error of the regression is 0.1460. The standard deviation of the standard error of the regression is calculated as follows:

Standard Deviation of the Std. Err. of the Regr. =
$$\frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

Thus, 0.1460 =
$$\frac{3.3238}{\sqrt{518}}$$
 = $\frac{3.3238}{22.7596}$

- (5) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital including returns identified as outliers as outlined in Note (3) above.
- (6) The criteria for selection of the proxy group of twenty-six non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on book common equity, shareholders' equity, net worth, or partners' capital projected 2012 -2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of twenty-six non-utility companies was selected based upon the proxy group of ten AUS Utility Reports natural gas distribution companies' unadjusted beta range of 0.27 0.59 and standard error of the regression range of 2.1458 2.7974. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.
- (7) The Student's T-statistic associated with these returns exceeds 2.06 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
- (8) The standard deviation of the proxy group of eight AUS Utility Reports natural gas distribution companies' standard error of the regression is 0.1086 (2.4716 / 22.7596).
- (9) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital including returns identified as outliers as outlined in Note (8) above.

Source of Information: Value Line, Inc., March 15, 2010

Value Line Investment Survey (Standard Edition)